

Mattson.

DEVELOPMENT | INVESTMENT | MANAGEMENT

July 25, 2008

Mr. Lincoln Jeffers
Assistant to the Administrator
City of Lewiston
27 Pine Street
Lewiston, Maine 04240

Mr. Norm Beauparlant
Purchasing Manager
City of Lewiston
27 Pine Street
Lewiston, Maine 04240

Dear Mr. Jeffers and Mr. Beauparlant,

Thank you for the opportunity to present you with this proposal in response to the *Request for Proposals – Bates Mill # 5* dated May 16, 2008.

When we originally reviewed the RFP document several months ago, we made note of the significant elements of information that were to be contained in a submitted proposal. In a letter sent to Mr. Jeffers on June 12, 2008 about this RFP, we discussed the complex proposal requirements and in light of Mattson's circumstances, concluded that we were unable to submit a proposal at that time. However, in that same letter, we indicated our interest in the redevelopment of the Bates Mill # 5 facility and further indicated that future possibilities might take place which would enable us to make a proposal to the City of Lewiston.

Understanding that circumstances can change rather rapidly in the development world, earlier this week we found ourselves in a position where we now feel it is possible to submit a proposal to you. However, given the limited time that circumstances have dictated, the proposal that we are making falls significantly short of the comprehensive package that we are accustomed to presenting in similar situations.

In submitting this abbreviated proposal to you, we would welcome any opportunity to present more detailed written information about any aspect of our proposal. As you may know, Mattson has had considerable success in redevelopment projects such as Saco Island which involve the reuse of historic mill buildings. The magnitude of the approximately \$100 million Saco Island project speaks to our ability to formulate outstanding site and facility design, forge a close working relationship of the City of Saco which included the

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largest TIF ever authorized in the State of Maine, attract a diversified group of prominent investors to assure the financial viability of the project and to provide a high quality mixed-use development which is attracting a wide array of commercial and non-profit tenants.

Please find enclosed with this submission:

- A Summary response to the RFP;
- A Statement of Qualifications from the Buck Consulting Group, one of Mattson's primary strategic partners which provides engineering and project management services; and
- A Compilation of recently published articles about Mattson's recent accomplishments with a particular emphasis on the Saco Island project.

The prospect of redeveloping a historic facility like Bates Mill # 5 is one that is exciting for us and we look forward to the opportunity to work with the City of Lewiston to revitalize this building as centerpiece of downtown Lewiston which is most likely to encourage further significant economic development in the city and the greater Lewiston-Auburn area. Please do not hesitate to contact either myself or Lock Kiermaier, Director of Special Projects, with any questions about our proposal and any further details that you need from us.

Sincerely,



Kevin J. Mattson
Mattson Development

Proposal for the Redevelopment of Bates Mill #5, Lewiston, Maine

Submitted by Mattson, Augusta, Maine

1. Summary of Proposal

Mattson Development, LLC (dba "Mattson") proposes to redevelop Bates Mill # 5 by restoring the current building through the use of Maine's recently expanded historical tax credit as a mixed-use facility which will include office, retail and other commercial space.

2. Details of Development Concept

Mattson proposes to restore Bates Mill #5 to be used as a centerpiece of economic development in the city of Lewiston. The reuse of this largely vacant downtown building described by the Bates Mill # 5 Task Force as an "architecturally unique, and structurally sound historic building", is a concept that simultaneously:

- Helps to accomplish the economic development and downtown revitalization goals and objectives of the City of Lewiston,
- Preserves and puts to use a unique historical structure that is currently the largest vacant building in the State of Maine; and
- Makes use of Mattson's considerable experience as a developer who specializes in the successful reuse of abandoned and underutilized buildings.

Multi-use Facility

Mattson proposes to restore Bates Mill #5 as a multi-use facility which will provide non-industrial space for a wide variety of currently authorized zoning uses which may include the following:

- government offices;
- retail stores;
- academic institutions;
- business offices;
- restaurants;
- medical clinics;
- personal services; and
- professional offices

The exact mix and proportion of uses in the redeveloped Bates Mill # 5 will be determined by the marketing effort undertaken by Mattson. Mattson's considerable success as the leading developer and owner of office space leased to Maine State government as well our many prominent commercial and non-profit tenants favorably speak to our ability to design

an integrated multi-use facility which will attract a multitude of entities seeking space in an attractive and centrally located facility.

Use of the Historical Tax Credit

To ensure the accurate preservation of Bates Mill # 5 and to maximize existing financing mechanisms available through federal and state government, Mattson intends to apply for the maximum historic tax credit which if successful will result federal and state tax credits of up to \$5,000,000.

Importantly, Mattson retains the services of Amy Cole Ives of Sutherland Conservation & Consulting . Ms. Ives is widely recognized as one of the state's leading historic preservationists and is a key strategic partner in Mattson's use of the historic tax credit to restore and bring back to life historically significant buildings across the State of Maine.

Mattson has been in the forefront in its advocacy for the recent strengthening of the Historical Tax Credit by the Maine State Legislature. Several Mattson staff members were instrumental in successfully lobbying for passage of the expanded tax credit and were recently recipients of Statewide Historic Preservation awards by Maine Preservation for their efforts.

Job Creation

Mattson's proposal to restore Bates Mill # 5 as a facility that predominantly features Class A office space is certain to attract a significant number of jobs to downtown Lewiston. It is likely that a certain portion of these jobs will be relocated from other localities of the state while other new jobs will be created. While the exact numbers of net new jobs cannot be determined at this time, it is estimated that the creation of approximately 300,000 sq. ft. of office space will bring an estimated 1,000 jobs to downtown Lewiston. The fact that there is a labor force of some 52,000 people within a 10 mile radius of Lewiston suggests a significant opportunity for new and relocated public and private employers to attract a qualified workforce to downtown Lewiston.

Support from City

Based on its close and collaborative development efforts with the Cities of Augusta and Saco, Mattson anticipates the same kind of relationship with the City of Lewiston in the joint effort to redevelop Bates Mill # 5 as the cornerstone for attracting future economic development and investment in the city. More specifically:

- Given the relatively poor economic climate of current times, the increasingly competitive effort to attract development to aging downtown districts, possible environmental mitigation costs and the estimated \$40 million cost to develop Bates Mill #5 cited in the February 2008 document developed for the Western Gateway Development District, Mattson proposes that the building and the approximately 4 acre parcel of land upon which it is situated be conveyed from the city to Mattson at no cost;
- Mattson also anticipates the use of a TIF to help fund the costs of any necessary infrastructure upgrades including water, sewer and transportation. We note that the same February 2008 document developed for the Western Gateway Development

District suggests that, "Tax increment financing districts ('TIF') may also be used to encourage and fund development in the District"; and

- With regards to parking, in accordance with the city's contractual obligation to provide parking for 1800 cars for the overall mill complex, Mattson proposes to work with the city to develop a plan to provide appropriate parking on the remaining 4 acre parcel associated with the Bates Mill # 5 facility.

Energy Efficiency

Mattson has established a reputation as a leader among Maine developers in the field of energy efficiency. Mattson's current renovation of the historic Hallowell House has the goal of attaining LEED certification.

As an integral part of the restoration of Bates Mill # 5, Mattson proposes to make use of the most up-to-date energy systems and conservation measures. The proposed restoration of Bates Mill # 5 will include a thorough energy analysis of the structure. A significant component of this assessment will be a determination of the possible applicability of alternative energy systems, including but not limited to, solar photo voltaic panels, cogeneration and geothermal. The energy assessment will also evaluate insulation, windows, lighting and other energy considerations.

CMP and FL&P Substation

As a part of its proposal to restore Bates Mill # 5, Mattson intends to accommodate the existing hydroelectric turbines and electric substation owned by FLP and CMP located on the first floor without substantial alteration.

Structural Integrity Issues

Mattson has noted that the southwestern corner and eastern wall of the building may have structural integrity questions relating to the abutting main and cross canals and proposes to remediate any existing problem as a part of its restoration of Bates Mill # 5.

3. Experience

In recent years, Mattson has established itself as a leading Maine developer with the capacity and expertise to successfully accomplish significant development projects. Most notably, Mattson is in the process of redeveloping the mill complex on Saco Island at a cost of approximately \$100,000,000. The redevelopment of Saco Island (dba as "Island Point") is notable for several facts:

- Several previous development efforts under different ownership were not successful;
- Mattson's ability to attract prominent investors to ensure the financial viability of the large-scale development project;
- Mattson's partnership with the City of Saco which features the largest TIF ever authorized in the State of Maine;
- Mattson's close and cooperative relationship with Saco is a centerpiece for significant economic development in the greater Biddeford/Saco region;

- Mattson's success in designing a multi-use facility which is attracting a wide variety of tenants including restaurants, professionals, businesses, government agencies and educational institutions as well as providing a range of residential opportunities; and
- Mattson has led the recent effort to successfully establish a historic mill district in Saco and Biddeford which will allow application by Mattson and other adjacent property owners for use of the federal and state historic tax credit on certain mill buildings.

In addition, Mattson has successfully implemented the following development projects in Maine:

- The reuse of the former SCI factory on Route 27 in Augusta. This 350,00 sq. ft. single story facility was abandoned for a number of years and was an obstacle to further economic development in the Augusta area until Mattson acquired the facility, renamed it as the Central Maine Commerce Center (CMCC) and renovated it as Class A office space. Current tenants include numerous state agencies and prominent commercial entities. Mattson is currently negotiating a TIF with the City of Augusta to finance certain required road improvements and is in the process of constructing new office facilities on property which is contiguous to the CMCC;
- Mattson has recently renovated the 200 year old Hallowell House in Hallowell allowing the use of this historic facility for 21,500 sq. ft. of Class A office space which will be leased by the Maine Public Utilities Commission; and
- Mattson is in the process of renovating the historic Newcastle Square building in Newcastle which will house a restaurant on the first floor and several condominium units on the second floor.

Statement of Qualifications

July 2008



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Company Overview

What We Do

Buck Consulting Group is an architectural, engineering and project management company that helps organizations achieve the desired project results in the given timeframe, maintain cost control and increase an organization's return on investment.

Our Services

On-Demand Project Management

Buck Consulting Group brings immediate project management capabilities directly to your organization, creating short-term productivity gains and long-term business value. We help you achieve:

Efficiency—focusing on core return on investment and productivity goals, such as reducing costs, increasing quality, and project cycle time; and

Effectiveness—encompassing customer service, collaboration, knowledge sharing and overall organizational effectiveness.

Strategic Asset Management

Our Strategic Asset Management Solution helps you enhance the value and improve performance within your facility asset portfolio. We provide a linkage between strategic mission and real property investment by integrating and synchronizing facilities engineering, energy, and security functions. We accomplish this by combining our proven assessment methodology with our progressive web-based technology—iPlan™ - to empower you to make optimal decisions regarding facility capital planning, energy, and security solutions.

Architecture, Engineering and Planning

Our Approach

Buck Consulting Group works collaboratively with you and the building industry and concentrates on two critical components that drive success—People and Process.

Our People are our strength—we offer commitment, integrity and value-focused project delivery to you. We apply these principles



in every project we lead, every budget we create, and every relationship we develop.

Supported By Best Practices

We use industry-leading technologies, knowledge repositories, and work practices to increase your competitive advantage.

All of our People have access to our customized web-based protocols, to maintain consistent project data and deliver the reporting you need to monitor project performance.

Background of Principals

Buck Consulting Group, LLC, is a partnership owned Maine limited liability corporation, which was formed in March 2005. The partnership consists of principals previously

employed by the former MBNA America Corporation. The partnership was formed due to the acquisition of MBNA America Corporation by Bank of America.

The core business partners were responsible for both the domestic and international renovation and new construction of facility building assets totaling over \$1 billion dollars as well as developing and providing strategic capital asset planning strategies to senior management for the purpose of identifying capital expenditures over a five, ten and twenty year timeframe for over 10 million square feet of facility building assets.



Projects

Office / Commercial / Corporate Facilities

Buck Consulting Group's management team has successfully delivered over 3 million square feet of new and renovated commercial office space with a development cost of over \$1 billion throughout the United States, Canada, United Kingdom, Ireland, Spain and China.



Mission Critical Data Centers and Telecommunication Facilities

Buck Consulting Group's management team has successfully delivered standalone mission critical data centers and telecommunications facilities as well as sophisticated technology equipment rooms with redundant generator and uninterrupted power systems as part of over 3 million square feet of corporate office and conference space.

Educational Facilities



Buck Consulting Group's management team has successfully delivered over 100,000 square feet of educational space for both public school systems and the University of Maine with a development cost of over \$22 million.



Museums

Buck Consulting Group's management team has performed works for museums as well as a variety of non-profit organization including teen center, food pantries and homeless shelters.



Conference Facilities

Buck Consulting Group's management team has successfully delivered over 62,000 square feet of conference space with a development cost of over \$42 million.



Childcare Facilities

Buck Consulting Group's management team has successfully delivered over 33,000 square feet of child-care space with a development cost of over \$8.5 million.



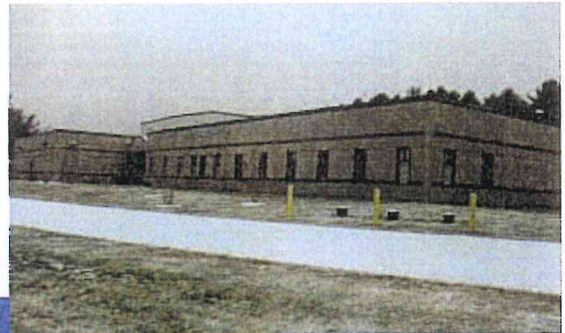
Fitness and Recreational Facilities

Buck Consulting Group's management team has successfully delivered over 68,000 square feet of fitness and recreational space with a development cost of over \$21 million.



State of Maine—Army National Guard Facilities

In addition to the Strategic Asset Management of the Facilities above, Buck Consulting Group's management team has successfully assessed over 500,000 square feet of Maine Army National Guard Armories and readiness Centers.



Professional Resources

Buck Consulting Group's resources are comprised of a group of experienced and dedicated professionals who possess vital subject matter expertise in a variety of key disciplines and select business sectors. These individuals are industry "thought-leaders" and have been involved in the design and delivery of facility, energy and security solutions in a variety of industries throughout their careers. Buck Consulting Group has a pool of these resources currently under agreement to BCG for services in client projects or ongoing contract services. A sampling of biographies for a few of these individuals is provided below (full resumes are available on request).

Blaine M. Buck, AIA, P.E., P.M.P. Mr. Buck is a licensed architect and registered professional engineer with 19 years experience in consulting, facilities management, and program and project management in the building industry. Blaine provides strategic analysis and advice, especially for complex programs and portfolio level activity. He is able to lead all aspects of advanced strategies and solutions in facilities strategic asset management, planning, design and construction, space management and utilization, cost control management, information systems, and program and project management activities. Blaine has delivered projects totaling over 3.5 million square feet with a total development cost of over \$1B in the United States, Canada, United Kingdom, Ireland, Spain and China. Working with other Buck Consulting Group colleagues, Blaine deploys and monitors best practices in risk management methodologies, innovative design management tools, and project control processes.

Prior to being a founding member of Buck Consulting Group, Blaine was an Executive Vice President with MBNA America – the largest independent credit card company in the world – and he has held several management positions over a ten-year period with his last assignment as Director of International Design & Development. Blaine was responsible for all facets of real estate development in parts of North America and overseas. Before this, Blaine was the chief engineer for an engineering and surveying company.

Curtis Dow brings over 25 years of building industry related experience with a strong technical and management background in design, construction, development, and program and project management. Curtis is able to lead all aspects of our diverse services, acting as the single point of contact for the total delivery of a project. This includes the development of a budget, its management and monitoring, the selection, appointment, and tasking all necessary consultants, preparing integrated schedule and programs to choreograph team activities, and the leadership and coordination necessary to achieve the required project result.

Curtis has delivered projects totaling over 3.5 million square feet with a total development cost of over \$1B in the United States, Canada, United Kingdom, Ireland, Spain and China. He will be responsible for structuring and managing several project teams, preparing and controlling capital budgets and development schedules, and acting as the client liaison at a senior level.

Prior to being a founding member of Buck Consulting Group, Curtis was a Vice President with MBNA America – the largest independent credit card company in the world – and he has held several management positions over a ten-year period with his last assignment as Design Development Manager in the International Design & Development Department. Curtis was responsible for all facets of real estate development in the United States, Canada, United Kingdom, Ireland, Spain and China.

Mitch Daigle brings over 18 years of building industry related experience with a strong technical background in architectural design and civil / structural engineering services ranging from residences to multi-million dollar commercial and industrial structures. His experience includes: five years of manual drafting in the architectural and engineering field; fifteen years of CAD experience utilizing AutoCAD & related additional desktop packages; eight years of graphic arts and digital photography experience utilizing Adobe software; six years experience with internet/intranet based web development and internet based project collaboration and information warehousing; three years experience with Microsoft Access database design and development projects; four years of surveying experience using transits, total stations, auto levels and GPS systems; and three years experience with construction layout surveying and as-built surveying as well as quality management and document distribution and control. Mitch has delivered projects totaling over 3.5 million square feet with a total development cost of over \$1B in the United States, Canada, United Kingdom, Ireland, Spain and China. He is responsible for managing all aspects of project administrative infrastructure.

Prior to being a founding member of Buck Consulting Group, Mitch was a Personal Banking Officer with MBNA America – the largest independent credit card company in the world – he most recently acted as a Construction Specialist within the International Design & Development Department. Before this, Mitch was the CAD Manager for an engineering and surveying company.

Mattson Marketing and Public Relations

1. Description of recent Mattson marketing and public relations efforts as conducted by key strategic partner Robinson PR.
2. Compilation of recent articles about Mattson and the Saco Island project.

Community Relations

In preparing to redevelop Bates Mill #5, one of the distinct strengths that Mattson brings to the process is an acute understanding of how good communications and good community relations play an absolutely vital role in the process.

Mattson has a strategic relationship in place with Robinson PR. Mark Robinson (www.markrobinsonPR.com) is a public relations consultant with considerable experience in advertising, marketing, branding and identity. He has been coordinating all community relations efforts for Saco Island, LLC, and helped Mattson secure the largest real estate TIF in Maine history in 2006. In regard to Bates Mill #5, it is advisable to consider the work that Robinson PR did on the Saco Island project, in that a similar approach in Lewiston would pay ample dividends toward the overall success of the project.

Case Study, Saco Island

In the state of Maine, a project of the magnitude proposed at Saco Island cannot escape notice as it is being introduced and built. In such a small state, this project is gigantic. In the summer of 2006, as it prepared to unveil its plans, Saco Island, LLC recognized from the very start that media attention would be glaring and intense, and there would be no escape from this fact of life. The reasons for this were as follows.

- \$100 million is a lot of money in Maine, almost an unfathomable amount to most people.
- Saco Island had been perceived as a blighted area for more than twenty years. Yet it is also a gateway property, linking the downtown districts of Saco & Biddeford. Anything that happens at Saco Island automatically would have extremely high visibility in the community.
- About 20 years ago a previous developer had introduced a grand but flawed scheme, and partially redeveloped the island. Unfortunately, he was undercapitalized, and in the end skipped town, leaving his project unfinished. Comparisons between his proposal and that of Saco Island, LLC would be inevitable.
- Many residents of Biddeford-Saco have ancestors who worked in the mills of Saco Island. Saco Island, LLC knew that sensitivity to its plans, and specifically how the company intended to handle the historical importance of the mill buildings, would be very high.
- Most significant, Saco Island, LLC planned to propose a 100% TIF for the duration of 30 years, an idea many people would find breathtaking in its boldness. This would be the largest real estate development TIF ever proposed in the state of Maine. A ferocious debate about this aspect of the project was bound to ensue.

In short, Mattson and Saco Island, LLC knew that in order to attract the right mix of investors, it was first required to make an extraordinary proposal to the citizens of Saco, Maine, and have the city accept that proposal. Mattson and Robinson PR began this process by planning a press conference on September 19, 2006, at which Saco Island, LLC announced its intent to redevelop the island.

Prior to that press conference, however, Saco Island, LLC formed a "Saco Island Advisory Council," a committee comprised of key business and citizen leaders. In the three weeks leading up to the inaugural press conference, Saco Island, LLC held a tightly scheduled and confidential series of meetings with individual members of the Advisory Council. Obviously, the purpose of these meetings was to review plans for the redevelopment, establish credibility for Saco Island, LLC, and pave the way for an optimally favorable reception by the community to the announcement that would take place on September 19th, 2006.

The September 19th press conference was executed beautifully. Shifting gears immediately, Saco Island, LLC then focused its attention to securing approval of the TIF by the Saco City Council. Working in concert with the design team, the community relations team implemented a strategy that would ultimately build political support behind the city council, and provide the city council with a very high comfort level as it grappled with the decision of whether or not to approve the TIF.

A key component in this strategy was using an e-mail tree to keep the Advisory Council informed of all political developments. The community relations team also used a potent combination of meetings with other citizen leaders, and meetings with editorial boards of the four local newspapers. The team planned an intricate placement strategy of Letters to Editor and Op-Eds, helping many of the authors polish their writing. Finally, the team proposed to Saco Mayor Mark Johnston that he call together a panel of experts to address the city council, and speak about aspects of the proposal other than the size and duration of the TIF that Saco Island, LLC was proposing. These panelists provided expert testimony about the growth of commuter rail, the historical significance of Saco Island, and the jobs growth and economic benefits that such a proposal would bring to southern Maine. This event proved to be a key turning point in the campaign, as it very publicly and permanently shifted the focus away from the TIF issue as the sole concern for Saco citizens.

The strategy worked, and the Saco City Council approved the TIF on November 6, 2006. Appended to this presentation is only a fraction of the press attention that the Saco Island project has received through the TIF campaign, the Planning Board process, and through the start of the actual redevelopment. Using comparable commercial placement rates as a rough measurement of print, radio, internet and TV coverage, the project has so far benefited from an "earned media" value of between \$500,000 and \$750,000.

For most of the reasons outlined above, what happens at Saco Island will continue to attract enormous amounts of media attention in Maine. Saco Island, LLC is committed to managing community and press relations in the most professional way possible. The strategy of Saco Island, LLC is to proactively shape news coverage to our advantage, rather than helplessly endure other people's uninformed interpretations. Disseminating information to the right people, at the right time, and in the right way will help make this project successful, and will help secure return to the investors.

A similar approach will yield excellent results in Lewiston, too.

Deal proposed for Saco Island project

The tentative agreement calls for the city to sell land for a parking lot and build a new train station.

By SETH HARKNESS

Staff Writer

SACO — The city has reached a tentative agreement to sell a piece of publicly owned land to the developer of Saco Island and use the proceeds to build a new train station as part of the \$100 million project.

Under the proposed agreement, the developer, Saco

DETAILS OF THE DEAL

THE DEVELOPERS buy 4 acres of city-owned land near the Amtrak station on Saco Island for \$500,000. The land would be used for a parking lot.

THE CITY uses the \$500,000 to build a new train station. THE DEVELOPERS get a 95 percent tax rebate for 15 years, then a 90 percent tax rebate for the next 15 years. The rebate is capped at \$15 million in present value.

Island LLC, would reduce its request for a tax refund.

City councilors and the developer negotiated the deal at a workshop Monday night, after a month of negotiations. A public

hearing and vote on the agreement are slated for a council meeting at 7 p.m. next Monday.

The deal differs significantly from what the developer originally requested.

Saco Island LLC had proposed leasing the city-owned lot on the island for \$1 a year during the initial stages of the redevelopment and then buying it for \$385,000. It also proposed a 100 percent refund of property taxes under a tax increment financing plan for the property.

Under the new deal, the developer would buy the city land immediately for \$500,000 and the city would use the money to build a train station within three years.

Saco Island LLC has also reduced its tax refund request

to 95 percent for 15 years, followed by 90 percent for another 15 years.

Saco Mayor Mark Johnston said that most councilors support the aspect of the agreement involving the land and the train station, but there is opposition to the tax refund.

"We don't have all the votes locked in," said Saco Island LLC General Manager Sam Spencer.

Saco Island LLC announced plans in mid-September to

Please see SACO, Page B8

SACO

(Continued from Page B1)

transform the mill complex that stands as a gateway between Saco and Biddeford.

The investors proposed redeveloping the buildings with a mixture of retail, residential and commercial space.

They also laid out plans to build a marina and a cluster of high-end condominiums on 6 acres of undeveloped waterfront land on the east end of the island.

From the start, the developer said the large up-front costs of restoring the old buildings meant Saco Island LLC could make the project work only if the city worked with it.

The developer hoped to re-

ceive a tax break of \$35 million and a discounted price on the use of city land at the top of Saco Island, where it intends to build a parking lot.

Councilor Eric Cote said he was uncomfortable with the developer's original requests but he supports the agreement on the parking lot and the train station. With the developer paying \$500,000 up front, he said the city would recover its costs for the land and receive enough money to build "a modest train station."

Spencer said he, too, is pleased with the compromise.

The developer has touted the environmental benefits of the project, which it says encourages growth in an urban setting rather than promoting sprawl.

Spencer said a new train

station, making it more attractive for residents to ride the Downeaster, would be a critical component of the development.

There is less consensus on the tax refund.

Cote said he opposes the tax agreement because he believes the developer has not yet shown that its project requires that much public support. Councilor David Tripp said he opposes granting the refund because it is too large.

If the six-member council splits evenly when it votes next week, Johnston, a strong supporter of the Saco Island redevelopment plan, would cast the deciding vote.

Staff Writer Seth Harkness can be contacted at 282-8225 or at:

sharkness@pressherald.com

Editorial

Give Saco Island a chance

The Saco City Council is expecting to vote on the Saco Island LLC proposal Monday November 6. If the council gives the project a positive recommendation, it will advance to the Planning Board, if the council rejects the proposal the project is off the table, which would be a huge mistake for both Biddeford and Saco.

A project of this magnitude would unlikely be picked up by another developer and the historic textile mill buildings would ultimately have to be razed due to the many environmental and codes violations that make them a safety hazard.

The ambitious project, undertaken by a local developer, is in the best interest of the city. It has often been said that Saco Island would never be developed as long as the Maine Energy Recovery Company continues to burn trash across the river. This project, which would include housing, retail developments and boat slips, debunks that theory, promising to make the twin cities a destination, not just a place to pass through on the way to somewhere better.

According to City Administrator Rick Michaud the benefit to complementary investments could be substantial and the indirect benefits to the city in terms of downtown property values could be significant. A makeover for the mostly abandoned buildings would be a testament to the city's commitment to honoring their roots and restoring and honoring Saco and Biddeford's history.

I've seen this work in other cities. My hometown, which also sits on a river, has turned abandoned factories into riverfront restaurants, retail shops and apartments. What was once a muddied bank of litter is now a trendy place to gather referred to as "The Docks." Downtown Toledo, once an area littered with strip clubs and drug dealers is now a destination. People live, work and play downtown, something that was unbelievable even 10 years ago.

Once this opportunity is gone, it's gone forever. Nothing better is going to come along, the city has been waiting for years and Sam Spencer and his colleagues have offered the only viable proposal. This is not some out of town group looking to exploit the city; this is a local man looking to improve his hometown. Make the right choice city councilors; give Saco Island a chance at a future. — **Brandi Neal**

Saco City Council has fate of Saco Island plan in its hands

Councilors will vote tonight on a big tax break that could also produce big dividends.

A tentative deal for the development of Saco Island will come to the Saco City Council tonight, and it has a lot to recommend it.

While an up-or-down decision remains in the hands of the council, an agreement last week that ironed out some of the project's parameters would seem to have helped Saco Island LLC in its quest to construct its \$100 million project.

The island, which sits in the Saco River dividing that city and Biddeford, is now occupied by aging and mostly empty mill buildings and several acres of open space.

Saco Island LLC proposes to convert the mill structures into a combination of retail, residential and commercial space, while building a cluster of high-rise condominiums and a marina on 6 nearby acres.

After some councilors and other officials expressed reservations about

the tax breaks being offered the firm to entice it to redevelop the site, a compromise was reached last week.

According to its provisions, the developers would spend \$500,000 to buy a 4-acre site near the city's Amtrak stop. The city would use the money to build a new enclosed station and use the site for a parking lot.

Saco Island LLC would get a 30-year deal on taxes that would provide a 95 percent tax break for 15 years and a 90 percent break for another 15, though the deal is capped at \$15 million in present value.

In return, the city would presumably see jobs increase and a tremendous property tax payoff down the road - not to mention a housing cluster that would help combat sprawl.

The question is, will Saco be better or worse off if the project goes forward. There's no real way to know, but without it, nothing will change.



MAINE VOICES

Saco Island plan gives hope for future

Saco
It may be different from what has gone before, but that's just what the city and state need.

As Saco's mayor, I have seen the face of my community, and the face of Maine, change significantly. So I was eager to read the recent Brookings Institution report and its conclusions about Maine's economic future.

Most compelling to me was, "The bottom line: Maine's traditional regional centers - the perfect place in which to counter sprawl with 'smart growth' - stand ready and able to absorb huge shares of the state's projected growth if only Maine can find ways to utilize them."

How true. Yet, breathing life into a once-thriving downtown district, while an exciting prospect, is a daunting task. Frankly, I'm not sure the public sector is as nimble as it should be in considering new ideas.

In Saco a developer has proposed to renovate several mill buildings that have been empty for more than 20 years. It's a sweeping proposal that invests between \$90 million and \$100 million in a gateway property between Saco and Biddeford known as "Saco Island."

The plan comes up for a pre-

ABOUT THE AUTHOR

Mark D. Johnston (e-mail: mjohnston@sacomaine.org) is mayor of Saco and owns a small business on Main Street.

liminary vote on Monday. If approved, it would bring new residents to the core of our city.

It would modernize the district, including wireless Internet throughout, making Saco Island attractive to high-tech, higher education and "new economy" enterprises. It would also encourage the growth of passenger rail service in Maine, as new residents travel to their jobs in Portland or Boston, or folks from other towns travel to Saco for their new jobs.

In short, the proposal stimulates robust economic growth, concentrated in the core of a Maine city, where infrastructure already exists to support that growth.

This contrasts with phenomena produced by larger economic forces. A global economy has caused manufacturing jobs to flee Maine, while more people "from away" move in to secure coastal property and shut out the natives.

We continue to build malls and homogenize ourselves, and

Breathing life into a once-thriving downtown district, while an exciting prospect, is a daunting task. Frankly, I'm not sure the public sector is as nimble as it should be in considering new ideas.

risk losing what makes living in Maine unique. Government stands by and watches as we endure flight from our cities into the suburbs, the carving of farmland into subdivisions, more strain on natural resources, our children leaving the state for better jobs, and the extermination of downtown business districts.

You would think political leaders would welcome the opportunity to counter these trends. I caution you not to be overconfident in that conclusion.

At Saco Island, the developers have asked to partner with the city. The proposal absolves the city from spending any up-front cash or borrowed money.

The developers want to lease and eventually buy city-owned land for parking, and want to create a new TIF district.

This would reinvest most of the new property taxes back into the project. After 30 years

the city would tax 100 percent of the new value.

The city gets some new revenue right away, and the developer immediately invests about \$20 million for infrastructure improvements, renovations to deteriorating historic buildings and environmental remediation. (As in most Maine mill towns, 200 years of heavy manufacturing have left their environmental "calling card.")

I don't agree with everything in the Brookings report, but I do agree that adapting to the future requires a change in our thinking. Government needs to be far more open to ideas that pay dividends down the road.

That is not so easy for a city councilor who gets a lot of "coffee-shop advice" to shun change and think only for today, the short term. I sympathize, because I also get a daily dose of the same coffee-shop logic.

But on Nov. 6, when the Saco City Council votes on Saco Island, I believe it will be also be a referendum on whether Mainers can adapt.

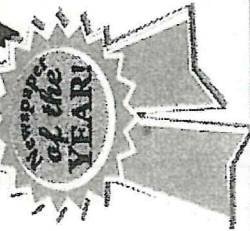
Can we be nimble and plan wisely for the balance of this century? I hope so. This is crucial not only for Saco, but for the entire state.

— Special to the Press Herald

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Wednesday, November 1, 2006

Developer agrees to buy city land

New train station for Saco also part of tentative deal

By **LIZ GOTTHELF**

Staff Writer

SACO — The group seeking to redevelop Saco Island has tentatively agreed to purchase for \$500,000 a piece of land next to the train station, on which the city will build a new train station.

This differs from the original proposal, in which Saco Island LLC asked to lease this

3.9 parcel of land from the city for \$1 a year while it redevelops and leases Building #4, a mill building that's been abandoned for many years. Under the original proposal, the developers would have been obligated to buy the piece of land for \$385,000 when Building #4 reached a 75-percent occupancy rate.

A vote on this and other ele-

ments of the project is expected next Monday.

Sam Spencer, spokesman for Saco Island LLC, stated at a council meeting in September that since investors were putting \$14 to \$20 million up front into the project, they were trying to reduce initial costs.

The piece of land is designated as a parking lot for Building #4 of the development.

At Monday night's council meeting, Spencer accepted the city's new proposal, and agreed to purchase the land for \$500,000.

"What we originally proposed was that we would be obligated to purchase the land once mill #4 reached 75-per-

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Land

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cent capacity. We thought this was in the best interests of both the city and the developer. It allowed us to reduce some of our costs, and allowed you (the city) to not give up land until we proved ourselves successful. If the wishes of the council is to have us buy the land up front, we are willing to do it before we reach 75-percent capacity."

As part of the agreement, the city will build a new train station in the next three years.

The sale of the land and the construction of the new train station is all subject to the acceptance of a tax-increment financing plan for the development.

A new TIF proposal asks that the developer be allocated 95 percent of the city's tax revenue from the project for 15 years, and 90 percent for 15

years after that.

The original TIF proposal at 100 percent gave the developers \$38,497,017, according to the city. The new proposal will give them \$35,402,911.

Councilor David Tripp called the change "a step in the right direction," but still had concerns that the developers were asking too much. Tripp suggested that they look at a TIF that would yield 100 percent for the first six years and 75 percent for the next 24 years. He said the change would help reduce his estimated cost of \$9,000 to educate each additional child enrolled in school due to residential development.

Mayor Mark Johnston said that the costs of educating children in the complex shouldn't be a big concern, as most condo complexes in the city housed few if any children.

City Attorney Ken Cole

asked for a "comfort letter" that the developers had promised to send, documenting the financial backers of the project.

Spencer provided the council with two letters, and said he would provide a third the next day. The financial investors, he said, were described in general terms, because investors with deep pockets do not want to be publicly identified. He invited anyone from the council to have a cup of coffee with him and discuss the investors in more specific terms.

"We're concerned Mr. Spencer, because we're supposed to be partners, and we want to know who we're dealing with," said Councilor Arthur Tardiff.

Spencer said he could not give out the pro forma, but assured the council the project

could not go forward without a TIF. He pointed out that the projected assessed value of the completed development is \$80 million, while the cost to refurbish it is \$82 million.

"That's not a good profit, that's negative profit," he said.

Councilor Eric Cote said he was happy with the train station but he wanted to see some figures to help him determine whether or not the TIF was a good idea.

"I don't know. I can't judge without a financial plan," he said. Cote said that the council may be better off trying to figure out the numbers on their own.

The council will vote on the TIF proposal at next Monday's City Council Meeting.

— *Contact Liz Gotthelf by calling 282-1535 ext. 329 or e-mail egotthelf@gwi.net*



Not a gamble: Sam Spencer, project manager for Saco Island LLC's redevelopment plan, says the \$100 million project will tap existing commercial and housing demand

BY DOUGLAS ROOKS

The old mills on Saco Island have tremendous potential. They offer hundreds of thousands of square feet of flexible space in the middle of two small but growing cities in southern Maine. They are located a few hundred feet from Amtrak's Saco station, where the Downeaster will soon expand to five round trips a day to Boston. The mills have the same classic profile as the ones that have been reborn in Lewiston, and Lowell and Lawrence in Massachusetts.

The old mills on Saco Island also have tremendous problems. Much of complex has been idle for 23 years, since textile production shut down. The biggest mill, Building No. 4, has few intact windows and has been open to the elements for years. Many buildings have never had modern utilities installed. There are complicated ownership and easement issues with Central Maine Power Co. and the city of Saco.

All that potential, and all those problems, are now in the hands of a new development group called Saco Island LLC, which thinks it has a plan that will finally bring the

old mills back into use. Composed of many of the same investors as Winthrop-based Harper's Development LLC, the group created a serious media buzz in September when it announced a \$100 million plan to overhaul all the vacant buildings, all at once.

Principal investors for Saco Island, as for Harper's, include Kevin Mattson, the firm president, nursing home developer John Orestis and Chris Harte, a member of the Harte-Hanks newspaper family and former president of the *Portland Press Herald/Maine Sunday Telegram*. Augusta lawyer-lobbyist Severin Beliveau also has a stake in both companies.

The plans for Saco Island (also known as Factory Island and, in some accounts, Indian Island) are nothing if not grand. The vacant buildings — the mammoth Building No. 4, plus smaller structures also on the island in the Saco River — would be fully renovated and reoccupied. Main Street now bisects the island, and, to the east, the vacant coal yards from the original mill operation would become home to 33 townhouse condominiums complete with boat slips (there would be 80 slips in all). It's just five miles from Saco to the sea, and the river is navigable.

Sam Spencer, the project manager for Saco Island, can envision Boston-area buyers hopping on the Downeaster on Friday evening to head north to Saco, walking across the street to their condo, and cruising off to points east on their boats Saturday morning.

Such amenities won't come cheap. The new condos are projected to cost \$700,000-

Half full or half empty?

Saco Island LLC sees big potential in the mill complex on the Saco River, but the planned rehab faces big challenges

Continued on following page



A rebirth: Mark Johnston, mayor of Saco, says the Saco Island redevelopment project could bring new prosperity downtown.

Continued from previous pgs.

\$800,000. In the old mill buildings, the "mid-range" condominiums will run from \$300,000-\$400,000. But these prices aren't scaring off potential investors, or buyers, said Mattson. "You can't create a housing market. You have to deal with the market that's already there, and the numbers tell us this will sell," he said.

Mark Johnston, who's been the mayor of Saco since 1987, is a big fan of the development plan. "There's almost nothing there now," he said. "We could see this become the biggest hub of prosperity Saco has seen since the mills were built in the 1830s."

Johnston also is not shy about touting the major Tax Increment Financing deal the development would require — nearly a

full rebate on property taxes from the project for the next 30 years, or \$35 million in all. "It's the developers' money at risk," he said. "If they fail, we haven't lost anything. If they succeed, we have community assets most cities can only dream about."

Thus far, his enthusiasm is not universally shared by city councilors, but he said that councilors have been asking questions of the developers in preparation for

a potential vote on the TIF in November. So far, though, no councilor has publicly opposed the plan.

Start and stop development

Sam Spencer recently conducted a tour of the sprawling mill complex — the first for a reporter since last month's announcement — and gave a frank appraisal of the challenges still to be overcome. Spencer has been working on Saco Island since he joined Harper's Development 30 months ago, and says that an earlier announcement to try to attract biotech companies to the island was premature. "We have to build for what people want, and this is what we see happening," he said.

The undeveloped lower portion of the island, where townhouses are proposed, totals six acres; the upper parcel with the existing mill buildings is 8.5 acres. In addition to the substantial residential component, Saco Island LLC plans to increase space for educational use — a University of Maine center and an alternative school are already there — and include a mix of retail, a restaurant and possibly a hotel. When Spencer first started work in Saco, he stayed in a motel five miles away. "It really doesn't make sense that there's no place to stay downtown," he said.

Spencer said developers would love to land the pharmacy school proposed by the University of New England as a tenant; UNE is also believed to be considering sites in Biddeford and Portland. But he said the redevelopment does not depend on any one tenant.

Saco Island was the scene of one attempted revival in the 1980s, when Gavin Ruotolo, a native of Romania who had launched ambitious projects in New Hampshire and Maine, got a finance

PHOTO/DAVID A. RODGERS

Saco Island mill complex proposed redevelopment

Developer: Saco Island LLC

Size of island: 14.5 acres

Total square-footage of mill buildings: 383,100 sq. ft.

Proposed new retail/commercial space: At least 100,000 sq. ft.

Proposed new housing: 33 townhouse units, undetermined number in existing mill buildings

Additional features: 80-slip marina; 2,500-square-foot residents' clubhouse; trails and waterfront access

Total cost of project: \$100 million

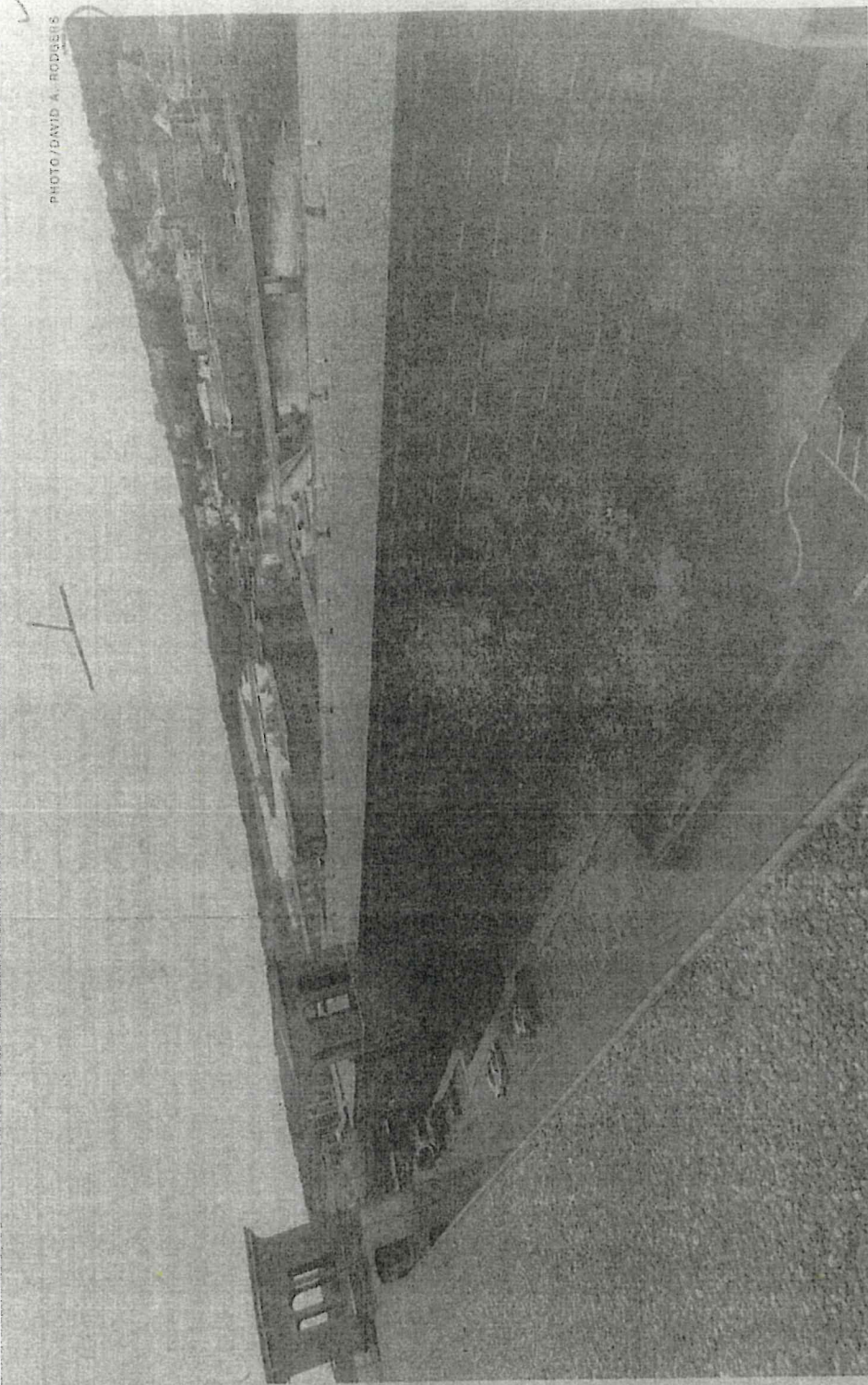
Size of TIF requested from Saco: \$85 million

Contact: Sam Spencer
377-8977

Authority of Maine loan and a TIF from Saco to work on the property. He rehabbed a small mill, Building No. 2, that now houses a deli, law offices and other tenants. The much larger Building No. 1 also was converted into 91 condominiums called Island Terrace, and is nearly fully occupied.

Ruotolo declared bankruptcy before he could carry out further plans, which included a 14-story high-rise on the land the new developers have tabbed for condos and boat slips. But Mark Johnston said Saco benefited from the TIF. "That was directed toward utilities and other infrastructure," said Johnston. "We got our money's worth."

The results of the Ruotolo projects are mixed. Building No. 2 is functioning well, as is most of Building No. 1. Saco Island LLC plans to rehab the lower level of that building, which has 30,000 square feet, into small retail and office space. But Ruotolo also constructed a "promenade,"



Fixing a hole: Although portions of the mill complex have been renovated previously, much of the property lacks windows, modern utilities and other infrastructure

a concrete roof over ground-level parking, that must be considered an urban design failure. Its desolate pavement attracts few pedestrians, and almost no one wants to linger. Spencer says it will be torn down, while existing building facades would be improved and expanded.

A chainlink fence along the river also will come down under Saco Island's plans, to be replaced by trees, a pedestrian path and, possibly, bridges across the river to Biddeford. "This site has no con-

nectivity now," Spencer said. "That's one of the biggest challenges — to make people want to walk around and use it."

Dealing with decay

Saco Island LLC has already sunk \$1 million into its "due diligence" activities, which helped uncover some challenges for the proposed redevelopment. The deeds are highly complex, and utilities easements have made things even murk-

er. Central Maine Power, which owns most of the easements, has been "highly cooperative," Spencer said, and the environmental hazards, which could include dyes from textile making and contamination from coal, appear manageable — though the state's liability protection program could prove important to the project. Federal Superfund grants are no longer available, though more limited

brownfields if they may be.

Still, there are uncertainties. Asked about a steam pipeline that bridges the river from Saco to Biddeford, Spencer said, "No one is too sure who owns that."

It is in Building No. 4, a 238,000-square-foot monster on three levels, where the obstacles and opportunities are most evident. The gaping window frames are matched by floors that have long since lost their finish. A few holes run clear through to the basement (which would accommodate some of the parking for the units above). Squint hard and it's easier to see a ruined cathedral than a thriving rehabbed mill building, Spencer believes it can be done, though. "The advantage is that the space is totally flexible," he said. "You can build anything you want, for whoever wants it."

Mills in grimmer shape have been brought back to life, he said. But the willingness of local people to help will be one of the key elements bringing the project along, he said. "It's been so long since anything happened here that some have given up, but others are hopeful," Spencer said.

While the scale of new development appears generally acceptable to local residents, there are questions. The marina plan has raised concerns, and because it's located on what the Army Corps of Engineers considers a navigable channel, developers might have to dredge or downsize the number of slips.

Councilors, meanwhile, have questioned whether it makes sense to give back nearly all the property tax revenue the project would generate for 30 years. In Augusta, however, the city council unanimously approved a similar deal with a North Carolina developer that wants to convert the historic Kennebec Arsenal to housing — a complex that has sat vacant for 30 years. Saco Island LLC will no doubt emphasize the similarities.

Spencer said that all aspects of the plan are negotiable, though Mattson also emphasized that changes have to be affordable for the developers. "The numbers have to work," he said.

One of the reasons for the "big bang" of the project's design — which could see an army of 2,000 workers descend on the site — is that the equity investors need to see a return within five years. Mattson has been traveling the country looking to sign up such investors, and says he's succeeding. He declined to say who has signed on, or how much has been raised, but said that he is within striking distance of raising sufficient capital. "This has to be an equity project. No one wants to loan money for this kind of venture," he said.

Yet no one who alights on the train station platform, which directly faces Building No. 4, can fail to see the site's potential, said Spencer. "Right now, this is a hole in one of the fastest-growing areas in Maine," he said. "If redevelopment is going to happen, it's going to happen now."

But Spencer added that this is probably the last chance for the buildings to be reused. "If this doesn't succeed, they'll probably have to be torn down," he said.

Johnston, who tends to be an optimist, didn't disagree with that assessment, and noted that losing the buildings would be a huge setback. "Sure, it's hard to reclaim them, but this is our history. This is why Saco is here," Johnston said. "If we can bring them back, we can generate a level of prosperity we haven't seen for more than a hundred years."

Liberal Cup runneth over

Owner of Hallowell bar to open new restaurant in Saco Island

BY BETTY ADAMS
Staff Writer

HALLOWELL — Geoff Houghton spends three days a week readying what he informally calls "The Liberal Cup South," a new brew pub/restaurant to be located in Saco Island.

The man who opened "The Liberal Cup Public House & Brewery" in Hallowell in November 2000 wants to expand his business to a second site to be known officially as "The Run of the Mill Public House & Brewery."

"I really want to capture the same market down there," Houghton said. "What I love about The Liberal Cup and what it really does well is attract everyone — all ages and all professions, like a typical English pub."

At a site more than twice the size of the Hallowell location, Houghton plans to set up a business using equipment that formerly brewed beer for The Sugarloaf Brewing Company at the base of the ski mountain.

Houghton, who lives in Jefferson, is the managing partner in the new business. His business partners are attorney Severin Beliveau and developer Kevin Mattson, both of Hallowell. Mattson and Beliveau are with Island Point Development itself, which is redoing all of Saco Island, and

PLEASE SEE CUP B5

have developed a number of other businesses under different development company names in central Maine.

The new venture will be the first commercial entity in Saco Island, a former factory site on the Saco River.

"We're very excited about it," said Saco Mayor Ron Michaud. "It will be a great asset and stimulate our downtown. We've been waiting a long time for this to happen and are very happy to have them coming here."

Michaud said the city agreed to create a tax-increment financing district to spur the development.

"The Liberal Cup has been so well-received in Kennebec

Valley with our food, beer and atmosphere," Houghton said. "We're really hoping it translates well to southern Maine."

He intends to offer the same homemade food and home-brewed beer that have proven popular in Hallowell.

Houghton said the interior will have lots of wood and brick as well as 12-by-12 beams in the ceiling. This week, he said, a concrete floor was being poured to hold the weight of the brewing machinery. While the Water Street restaurant in Hallowell can seat 80 people, the new brew pub will seat almost 200 people and offer an outdoor patio that overlooks the rapids in the Saco River.

Saco City Administrator Rick Michaud (no relation to the mayor) said the brewery machinery will be inspected and licensed by federal authorities. He said it will be the first brewery in Saco.

Houghton said he hopes to open in late spring. Bill Klely of Jefferson, a bartender at The Liberal Cup, has been tapped as general manager of the Saco brew pub.

He expects to employ 50 to 60 people at the Saco site.

Betty Adams — 621-5631
badams@centralmaine.com

"What I love about The Liberal Cup and what it really does well is attract everyone — all ages and all professions, like a typical English pub."

**GEOFF HOUGHTON
LIBERAL CUP OWNER**



Saco Island's status updated

By LIZ GOTTHELF

Staff Writer

SACO — The fast-paced development at Island Point continues.

"I'm here tonight to report to you that lots of things are happening," said Bob Martin, COO of Saco Island, L.P. developers, at Monday night's council meeting.

Redevelopment of the mill complex on Saco Island started last month, with one of the more noticeable developments being the tearing down of a balcony on the Rivergate Building.

Also scheduled for removal is a steam pipe on the lower part of the island, described by developers as an "eyesore."

The office suites of the Rivergate Building will be renovated and, after removal of the balcony, will feature clearer views of the Saco River. Developers, according

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to Martin, are in negotiations with a "substantial tenant" scheduled for 2009.

The Brick Island Brewing Company is scheduled to open in early 2008 in the Saco Mill House Building and will feature both a casual pub atmosphere and more formal dining.

The Island Falls building on the top of the hill will house both residential and commercial space, divided in the mid-

dle by a three story atrium. Each side will have a separate elevator and security system.

The condos in this building will be 280 feet from the proposed Saco train station, making them the closest residential units to a train station in the country. They will feature ceilings with sound proofing material as well as wood beams and interior brick work.

The commercial side of the building will house "smart classroom" space, equipped with a variety of technology, to be used for college classes.

According to Martin, the Island Point developers as well as mill developers across the river in Biddeford are working together to get a historic district. Some are hopeful to get tax credit, but Martin said that some of the Island Point buildings will not be able to get tax breaks because they will not be restored to historic exactness.

The Island Falls building, after recommendations from a focus group, will be decorated with faux balconies to soften the look of the expanse of brick.

The decision to soften the architecture received a positive response from councilor Eric Cote.

"It's much more attractive," he said.

Although the housing market might have hit a slump, Island Point Developers are

encouraged about future sales for the two-story duplex cottages that will be built on the east side.

These river view homes, according to Martin, will be targeted to an older, wealthier clientele. The developers, without marketing the project, have a list of 45 unsolicited people interested in purchasing homes.

"Island Point is becoming a very attractive draw," said Martin.

The cottages will vary in roof pitches and color and when viewed from the Saco River, and won't look like a standardized development.

"We don't want to end up with a just built look or a generic kind of community," said Martin.

"The end result is a vibrant new village here in Saco that will serve as a stimulus for growth here in this part of Maine," said Martin.

—Contact Liz Gotthelf by calling 282-1535, Ext. 325, or via e-mail at lgotthelf@gwi.net.

Printing imperfections
present during scanning





Kevin Mattson was presented with a key to the city recently.

*Courtesy photo provided by
Island Point*

Saco developer gets key to city

Kevin Mattson, the managing director of Island Point – the development company with a \$100-million plan to redevelop Saco Island – was recently given a key to the city by Saco Mayor Mark Johnston.

The ceremony honoring Mattson and Island Point was held at the Saco Museum last month.

"This caught me completely off guard, but I'm honored," Mattson said after the ceremony.

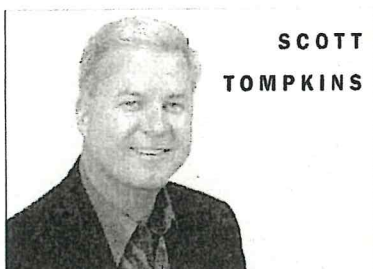
"Working with city officials in Saco has been an eye-opening experience because of the professionalism they have brought to the process. That this gesture is coming from them makes it extra special," he added.



FROM THE GROUND UP

A tale of two cities

While Portland quibbles over the Maine State Pier, Saco welcomes a similarly sweeping project



SCOTT
TOMPKINS

Contrary to what you might think, \$100 million isn't a universal calling card. Two development firms vying to revitalize the Maine State Pier learned that lesson the hard way. Despite the attraction of mega-budget investments and windfall tax payments, Portland officials have repeatedly slammed the door in the developers' faces. By comparison, Saco's civic leaders laid down a king-size welcome mat for a team of equally well-heeled investors intent on invigorating the Saco Island mill complex. Welcome to "A Tale of Two Cities" in the 21st century.

Charles Dickens famously opened his historical novel with the line, "It was the best of times, it was the worst of times," succinctly describing the moods of hope and despair in 18th century London and Paris. While London was experiencing an era of social and economic rebirth, Paris was deeply mired in pessimism and poverty, the byproducts of myopic rule. The similarities between the Dickensian view of London and Paris and modern-day Saco and Portland are striking when taken in the context of the mill and pier projects.

Whether fueled by politics, hubris or a toxic stew of both, Portland city councilors have become entrenched in a stalemate over which pier developer to choose — Ocean Properties or The Olympia Com-

panies — or whether to choose a developer at all. Unfortunately, the standoff showed little sign of abating when this issue of *Mainebiz* went to press. Neither side was blinking and complete paralysis had overtaken the decision-making process, throwing the entire project into jeopardy. Not only has the situation exasperated the developers and the public, but it also may have conspired with other market forces to cast a chill on nearby projects, curbing growth and stifling economic vitality around the pier and beyond.

By contrast, Saco officials were keenly aware that an offer to pump \$100 million into any Maine city can be once-in-a-lifetime opportunity. With that in mind, Saco worked closely with Harper's Development, Preti Flaherty, Buck Consulting and other development team members to ensure the mill rehabilitation project now known as Island Point would come to fruition. The city did, however, add one caveat: Any decisions regarding Island Point must be made in the city's best interest. "Communities can be suspicious of change, especially if the business approach is from the standpoint of money and muscle," said Bob Martin, chief operating officer for Island Point. "Ideally, both sides need to take time to understand each other, share the same vision and work toward common goals." Not surprisingly, that's precisely how the Island Point team operated.

Best of times, worst of times

By engaging in a lengthy, painstaking process that included a fair amount of compromise, the developers and Saco officials were able to work side-by-side to hammer out the details.



"This is the most complicated project I've worked on in my 40 years in business," said Severin Beliveau, chairman of the Harper's Development board and a senior partner at Preti Flaherty, the law firm representing the developers. "Island Point shows what can be accomplished with a collaborative, cooperative relationship and a city council that is determined to succeed."

Issues addressed in Saco included environmental remediation of the mill site, changes to zoning and a tax increment financing (TIF) plan. According to Martin, these and numerous other challenges were easier to deal with because the city had the foresight to treat the mill complex as a separate district — Saco knew it would need to take a unique approach to the property for development to take hold.

Today, the approval process is complete and the project is moving ahead at an aggressive pace. The developers are now saying Island Point will be completed in three years, rather than the four they originally predicted. That means the new Saco Island Brewing Co. will draw its first beer in February 2008, just as commercial office space and SoHo-style loft condos are available for occupancy upstairs in the Saco Millhouse building. Following soon after will be 10,000 sq. ft. of new commercial office space in the Cutts Mill building and, in the Island Falls building, 170,000 sq. ft. split nearly evenly between residential condos and commercial offices. "Our objective is to

create a village community with class-A commercial space and residential space outfitted with state-of-the-art amenities," including a fitness center, media room with theatre seating, and indoor parking, explained Island Point's Martin.

The project's second phase will commence in 2009 with the construction of 30 town-home condominiums, a clubhouse and boat slips on the six-acre, easterly side of the island. The three-story, cottage-style condos are expected to retail in the \$650,000 to \$750,000 range. By the time it's finished in 2010, the comprehensive Island Point project will have employed several hundred construction personnel, injected millions into the local economy and been completed a full year ahead of the original schedule, accomplishments not lost on Beliveau. "The political, legal and environmental challenges Island Point faced were every bit as great as those related to the Maine State Pier," he said. "Where these two projects stand today directly reflects the attitude of the leaders in both cities. Portland residents should be very disappointed in the way their leaders performed."

Indeed, Portland's is a performance that, for the foreseeable future at least, assures only one city in this tale will have a happy ending.

Scott Tompkins, director of business development at Ledgewood Construction, can be reached at editorial@mainebiz.biz.

High Tides and Green Grass



Saco Island could be a bargain

by

David C. Flood

publisher

Let's look at the proposed Saco Island project this way — what would it cost the taxpayers of Saco if the city tried to make the improvements on its own?

Think about how an industrial park is formed. The city buys land and puts in improvements such as streets. The city then sells the land to companies who will put businesses there, with the city hoping to recoup its costs from the sale of the land.

What if the city of Saco looked at Mill Building No. 4 and the rest of Saco Island in the same way? Why would the councilors do this? Because the mill buildings are both interesting and a big part of the local history. It also would be a way to make better use of a great resource — the Saco River.

What if the council spent \$1 million trying to form a plan and then realized that improving Saco Island could cost \$80 million to \$100 million? Even at that price and with all of those changes, there would be no guarantee that space could be sold to recoup the cost. Mill Building No. 4 and other buildings might be saved and they might look good, but there would be a distinct possibility that it would cost the city tens of millions of dollars. And it would only work even that well IF the city also built condos with boat slips on the part of the island closer to the river's mouth.

A plan such as this would add greatly to the tax rate on the short term. It would be such a big risk that it's hard to imagine the residents of the city agreeing to it in a referendum vote.

But consider this. What if Saco councilors were looking

at Saco Island that way and then someone came along and said, "For less than one percent of the city's budget over the next 30 years, we will take over the responsibility of developing Saco Island."

And they could prove they would do a first-class job of it.

Well, that would just sound like a fantastic bargain. As long as the person saying it checks out and it looked like they could back up what they were saying, it sounds like a no-brainer.

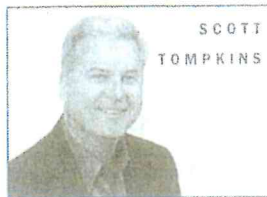
That's essentially what Saco Island, LLC is offering Saco, at least based on their numbers. If \$80 million to \$100 million is made in improvements and that's how much the city's total property valuation is increased, then state revenue sharing and state school funding will drop while the county taxes will increase. In effect, according to Saco Island, LLC, the city would end up with approximately \$26 million more to tax. Multiply that by the current tax rate of \$12.96 and you get annual increased taxes of \$336,960. When all is said and done, that's how much the city budget would benefit directly from the improvements. That is easily less than one percent of Saco's total budget.

Now, if Saco tries to get that \$336,960 by not approving the TIF, it's almost certain that they will get none of it because the development won't happen. The proposed TIF won't decrease the budget; it just won't add to it. Mill Building No. 4 will remain empty.

What about selling the parking lot site for not all that much money? That makes sense. What would it be used for anyway? Sometimes it makes sense to give real estate away. We have a set of brick steps next to our building which we would gladly give to the city if they agreed to maintain it, keep it clear of snow, and continue to let us use it. Saco will simply end up with a parking lot that they didn't have to pay to pave.

There's one thing, though. It would be good to know all of the people involved in Saco Island, LLC. They want it to be a public/private partnership, but they don't want to say who all of the members are. I can't imagine me being a partner of someone and not knowing who they are. I hope this changes.

And I hope the project works out great and we have an even stronger resurgence of the downtown area.



SCOTT
TOMPKINS

FROM THE GROUND UP

It's mill time

Developers are finding plenty of opportunity — and prime real estate — in Maine's manufacturing past

No question, Maine's rocky, rolling hills and teeming wetlands help draw millions of tourists each year. However, the abundance of those attributes also prompted a civil engineer not long ago to declare that "there aren't any good, buildable lots left in Maine." Considering ever-stricter environmental regulations, and the expense and effort involved in clearing ledge for a commercial building site, he may not be far off the mark. His sentiment may also explain the statewide surge in mill renovation projects spearheaded by developers who see prime real estate and vast opportunity in repurposing the grand structures for office, retail and residential use.

Maine's brick-and-mortar mill complexes once served as the backbone of numerous communities, stimulating economic growth for generations as extended families carved out comfortable lives stitching shoes, weaving textiles or making paper. With the state's manufacturing heyday long gone, however, these hulking campuses now serve not so much as fond memories, but painful reminders of a more prosperous time in many small towns still struggling to regain a sense of fiscal vitality. Thanks to a handful of visionaries, that struggle might soon be over for some — but not before much work is done.

Due to the nature of mill work and spot environmental oversight in decades past, the soil on which the mill buildings stand may contain contaminants such as coal tar, heavy metals or PCBs. Likewise, the buildings themselves may contain lead, asbestos or other hazardous materials. By law these pollutants must be removed prior to construction for safety and health reasons. While this can be an expensive proposition, there are some local, state and federal funds available to help mitigate the risk in rehabilitating these incredibly challenging sites. In an earlier historic renovation project, the city of Lewiston in the late 1990s received \$775,000 from the Environmental Protection Agency to help clean up the Bates Mill complex. By 2001, nearly 300,000 sq. ft. of space had been remediated and leased to area businesses. By 2003, more than \$40 million in investment had been leveraged and 1,400 new jobs created.

More recently, in addition to remediation funding from the EPA, tax increment financing arrangements have been aggressively pursued with local governments to help offset developers' enormous upfront project costs. For example, to ensure the \$10 million rehab of the historic Kennebec Arsenal, city officials in Augusta recently unanimously agreed to a 25-year TIF whereby the city would return to Niemann Capital — the project's Durham, N.C.-based developer — 100% of property taxes for the first seven years and 75% for the remaining 18 years. "By employing existing public policy tools such as TIFs, we're able to turn major liabilities into integral parts of the community," says Josh Parker, director of development at Niemann Capital. "Using historic preservation for economic development creates an opportunity for cities and towns to leverage more private investment."

The firm is driven by what Parker terms a "triple-bottom-line approach" of historic preservation, environmental sustainability and community equity. Other Niemann Capital projects in Maine include an approximately \$60 million-\$70 million investment in the adaptive reuse of the former Eastern Fine Paper mill in Brewer and a roughly \$60 million investment in the Lockwood mill complex in Waterville, which for decades housed the C.F. Hathaway Co. shirt factory.

Island in the sun

Perhaps the most ambitious mill renovation of all is the recently announced Saco Island project. Valued at an estimated \$80 million, the redevelopment encompasses a total of 400,000 sq. ft. of space spread throughout five buildings on an 8.5-acre parcel of land. In addition to renovating the historic mill buildings to create an even mix of commercial, educational and residential space, the local development company also plans to build 33 waterfront townhouses with boat slips on the Saco River. "Our vision incorporates many facets of the 'smart growth' philosophy," says Sam Spencer, managing director of Saco Island LLC, the project's developer. "Among our objectives are reducing sprawl, regionalizing resources and bringing people back to a revitalized city."

In addition to the character afforded by its aged brick patina and water views, the project also benefits from having a Downeaster train station on site as well as its proximity to Route One and the Maine Turnpike. Thus far, Saco Island LLC has invested \$1 million in due diligence and anticipates spending a total of \$14 million in start-up costs by the time the project is approved. "That's a significant economic commitment, but also a significant risk for us," Spencer says.

Saco Island LLC has asked the city for a TIF to help neutralize that financial risk, and Spencer estimates it will take up to six years before his firm starts to see a return on its investment.

Because Saco, Brewer, Waterville and the location of many other decaying mills statewide are designated as Pine Tree Development Zones, they can prove a wise investment for developers seeking to entice qualified technology, manufacturing and financial service companies. These businesses in turn can receive a series of attractive tax credits on corporate income, insurance premiums and the like simply by meeting minimum statutory requirements, which makes the renovated space all the more appealing.

By turning decrepit mills into vibrant mixed-use facilities, developers are helping to resuscitate perennially depressed areas across Maine. And for many of those old mill towns, that's a breath of fresh air.

Scott Tompkins, director of business development at Ledgewood Construction, can be reached at editorial@mainebiz.biz.

In Our Opinion:

Saco Island TIF would promote growth

It is official: The proposed \$100 million renovation and building project proposed for Factory Island now depends on a tax increment financing request made to the City of Saco, and without it, the project might die.

During a recent editorial board meeting, Sam Spencer, the point man for Saco Island LLC, indicated that the project (which includes fully renovating Mill Building 4, the largest vacant facility, providing environmental cleanup and building numerous high-end condominiums on the peninsula facing the Saco River) would be an economic boon for the city since the influx of business and people would breathe new life into not only Saco, but Biddeford as well.

We believe that Spencer is correct, and the members of the City Council should move forward with the TIF if possible. We feel that Mayor Mark Johnston has made the right decision in appointing an advisory committee out of the council, and we believe that it will come to a similar conclusion.

The renovation of Mill Building 4 would create new space for retail, office, and corporate entities, while also providing housing and other opportunities to locals and new residents alike. With immediate access to Amtrak's Downeaster, Spencer and his backers see a commuter hub that will bring people into the city, as well as provide a home for those who work outside York County.

The TIF, in this case, would provide for additional parking areas (on land turned over by the city), as well as other needed public improvements.

The demolition of the promenade facing Biddeford and the Saco River would include construction of additional parking after a major environmental cleanup takes place. New traffic lights, public greenspaces and sidewalks would be included, pending the TIF.

Finally, the construction of high-end condominiums, priced at \$700,000 (estimated), would bring new property tax dollars to the community, allowing for a larger base to be constructed.

The project does not come, however, without some questions that must be answered. Spencer indicated that traffic is an issue, and efforts would be made to minimize the impact. Other problems, such as river right-of-way to go along with a proposed marina, must be resolved as well.

We believe that forward thinking projects such as this are necessary to continue the momentum occurring not only in Saco, but Biddeford as well. Many of the formerly rotting mill buildings in Biddeford have been reclaimed as artist space or business incubators, and Spencer's group has and will actively work with mill owners to create a downtown zone of growth.

One such proposal is the University of New England pharmacy school, which is proposed for Biddeford. Spencer indicated that such a major project would have spillover into Saco, specifically in the form of housing needs, which Saco Island LLC can provide.

Also, with the efforts of the various pro-business and development groups, such as Heart of Biddeford, making headlines recently, any additional growth "downtown" is a good thing. Couple that with Biddeford Crossing, and the twin cities are moving forward.

Letters to the editor published recently hold some skepticism, especially about the private backers of the project.

We cannot rule out development simply because we do not know every developer's name. We can, however, hold Spencer to his word that this isn't just a fly-by-night organization, but a group of individuals looking for a profitable return on a serious project.

Therefore, we hold that granting the TIF after further investigation is the right thing to do for the future of Saco and Biddeford.

In Our Opinion:

An exciting time for the mill cities

^{Saco}
Mill buildings have been the centerpiece of downtown revivals throughout New England. The plain, solid, brick-red buildings of 19th century industry enclose acres of space that can be made suitable for housing, stores, restaurants and industrial entrepreneurs. They are part of our landscape, familiar and reassuring despite their looming walls and hard edges.

So it is exciting to have investors working on plans for their re-use and restoration. These buildings are more than monuments to the mill prosperity that sustained Biddeford and Saco for generations; they are community assets that for many years have been earning a very meager return. The idea of tearing them down and starting fresh is out of the question, so restoration and redevelopment is the only option.

We're looking forward to hearing more about the two large-scale proposals now on the table.

In Biddeford, William "Doug" Sanford is asking for the city's help in establishing moderately priced housing, as well as commercial development, at his North Dam Mill. His three six-story buildings, part of the former Pepperell complex, date to the 1840s. They were most recently occupied by Biddeford Blankets, and were acquired from Sunbeam two years ago.

And in Saco, a failed redevelopment project on what was once known as Factory Island may rise again. Saco Island LLC hopes to work out an agreement with the city leading to restoration of mill buildings and the construction of townhouses and a marina on the Saco River.

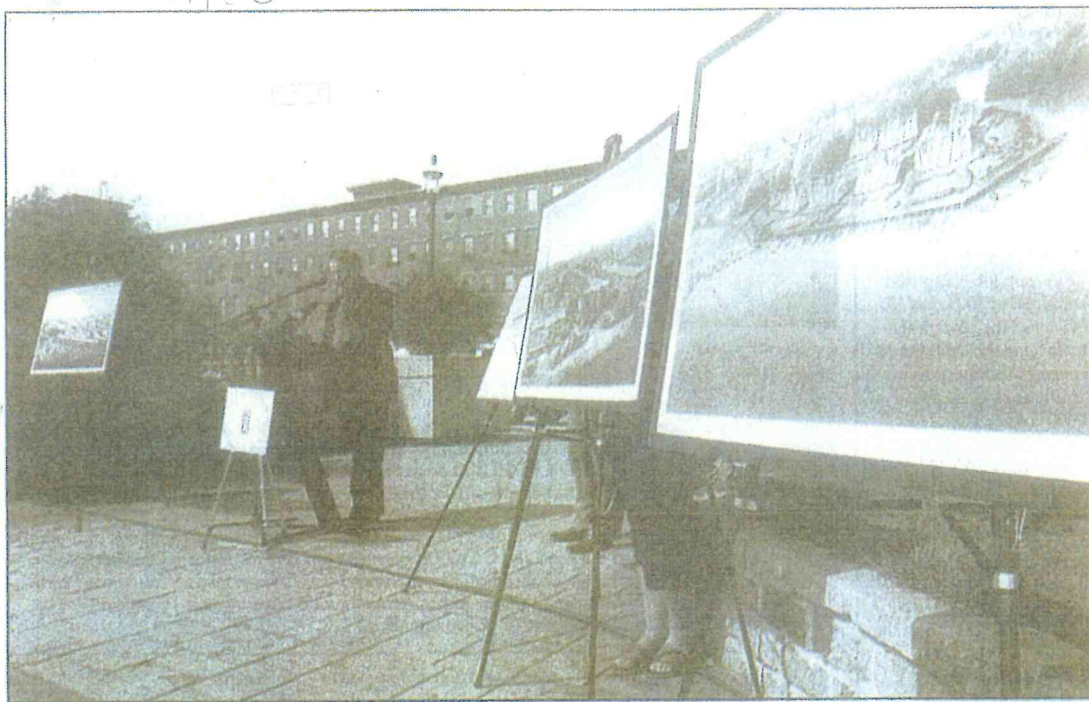
Both plans will be under the microscope in the months ahead, and rightly so. Both would rely on tax increment financing — devoting tax revenue that would otherwise go to the city to cover some of the development costs. City councilors must judge whether the TIFs would yield sufficient value for citizens' dollars.

The planning boards of the two cities must also each judge how the proposed new uses will affect the community. Among their concerns will be traffic, sidewalks, parking, landscaping, public access to the waterfront and neighborhood concerns.

Each proposal has the potential to change the downtown substantially for the better. With many more middle and upper income residents living just off Main Street, more shops and restaurants might soon thrive nearby. Public transportation could provide easy access between the downtown area and the commercial outskirts of Route 1 and Route 111.

Both developers have made strong cases for their projects, but it is worth remembering that success is not a sure thing. Making the best use of the mill buildings of Biddeford and Saco will indeed require entrepreneurial energy, but the advice and consent of the communities are also essential for success.

The future of Saco Island



JOHN SHIMON/HEX/Journal Tribune

Mayor Mark Johnston makes remarks during a press conference on Saco Island in Saco Tuesday. A development group wants to renovate and redevelop the mill buildings. Below, Saco Island managing director Sam Spencer during a press conference Tuesday outside the Saco Island Mills, said he wants to renovate the old buildings.

Development plan to include marina, condos, brewpub

By LIZ GOTTHELF
and BEATRICE MAROVICH
Staff Writers

SACO — "A new vision has risen out of the banks of the Saco River," said Saco Mayor Mark Johnston Tuesday at a press conference for a proposed development on Saco Island.

Saco Island LLC has proposed a development on the 8.54 acre Saco Island property which straddles both sides of Main Street next to the Saco River, overlooking Biddeford, and consists of five buildings.

The development will be a mix of retail, educational and commercial property. Mill buildings will be refurbished and renovated into condominiums, shops, governmental agen-

cies and a branch of the University of Maine.

Developer Kevin Mattson, president of Saco Island LLC, said that he bought the remains of a well known Maine brewery and plans to turn a building along the river into a brewpub. Part of the plans will include tearing down part of the existing pedestrian walkway over the parking lot which blocks the view of the river.

"It's all about the river," said Mattson.

Across the street, 33 townhouses with private boat slips will be created. Mattson said that he is not giving any definite



See Saco Island
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Saco Island

From Page A1

market value, but thinks they'll sell for about \$700,000. He said he envisions the owners of these condos to be in their late 50s, following the trend of older adults migrating to Maine.

Next to the condos will be a park with a gazebo, directly across from Mechanics Park across the river in Biddeford.

Mattson said the condos in the existing mill buildings are expected to attract younger adults and are being developed with a "green concept" which he feels is important to people looking at real estate.

Sam Spencer, managing director of Saco Island LLC, said the development will incorporate "smart growth" concepts, including the use of existing buildings, cutting down on sprawl, promoting sustainable economic growth, and making living in the city attractive.

TYING INTO THE TOWN

Spencer said that one of the best things about this property is its location next to the train station.

Patricia Douglas, Executive Director of the Northern New England Passenger Rail Authority, said that train station and neighboring development will feed off each other.

"Here we're creating a place where there wasn't one before," said Douglas.

The project will take an estimated \$80 to \$100 million to complete. Environmental refurbishing of the buildings could cost up to \$1.7 million.

Spencer said one of the mill buildings has been abandoned for 20 years and will need some considerable work.

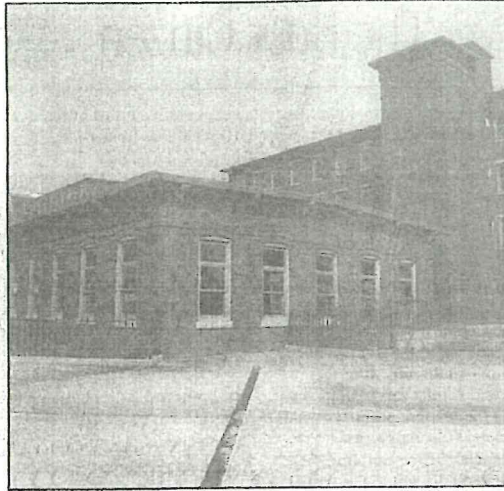
"One of the things I discovered, because of the complexity of the project, it requires an upfront infusion of capital on a major scale and that's exactly what we are planning to do. This is not your run-of-the-mill just for profit real estate development," said Spencer.

Because of the large infusion of capital, Spencer said "the project presents an enormous risk to our investors." Investors of the project are not being named.

"If we're going to make this vision a reality, this is going to have to be a true community development project," said Spencer.

The project will require what Spencer is referring to as a "very significant" tax increment financing district (TIF). A deal will need to be made with the city for use of city land for a parking lot and a federal channel could require a permit for use. More details of the plan will be given at a workshop with the mayor and city councilors on Monday.

With so much reference to the doomed strategy of the



JOHN SHAWCHECK/Journal Tribune

Saco Island LLC wants to redevelop mills on the island, such as this one seen Tuesday.

"piecemeal" approach to mill redevelopment, Riverdam Millyard owner Steve Sobel defended his own project — a large mill filled with artist's studios, band practice space, and other independent businesses and projects.

The mill is being renovated bit by bit, as the funds roll in.

"I am the guy who's trying to do it piecemeal," Sobel said. "It's harder, it's more painful ... If I could be doing it their way, I would. But if I weren't doing it this way, I wouldn't be doing it at all."

"We were a little fearful that our development would be a threat to those on the other side of the river," said Spencer, but he believes that they'll be "targeting different types of tenants."

While the Biddeford mills look for what he called light manufacturing, artists and musicians, they're planning for a campus setting with residential and office space.

Sobel said his space is distinct.

"I'm renting to people who are willing to accept the bumps in the road, on the way toward an eventual end product," he said. "Fringe people and personalities, the kind of person who is attracted to the grittiness of the mill."

The Saco Island development, he said, will be for, "people looking for an affluent location and lifestyle."

But he emphasized that economic development doesn't happen in a vacuum, and he welcomes the activity. He's received a lot of criticism, for instance, for developing right next to the Maine Energy Recovery trash incinerator.

LONG AWAITED DEVELOPMENT

State Sen. Barry Hobbins (D-Saco) said that all but the 90 condos in Mill Number One (currently occupied and owned collectively) belong to the Cutts Island development group, of which he is an owner. He's impressed by the ten-

ant base in Mill One right now — a list of businesses and organizations that includes Counseling Services Inc., Spurwink, and the Social Security Administration.

Hobbins acknowledged that plans made previously for the island, like a 1988 plan for a 151 unit condominium, have failed.

"To me this is a real, prudent option. One that will have less impact," he said. "A holistic approach is the way to do the project. They have the experience, and the capital."

Cutts Island would have liked to take on a project of this magnitude, he said, but they lack the resources. Instead they've been sitting on the real estate, waiting for a realistic proposal to come forward. They've seen a lot of what he called "tire kickers," options with little substance beneath them.

Part of their determination, to hold onto the property and wait for the right opportunity, was because they're all "local boys," many of whom had relatives working in the mill. The fact that they're now directing the fate of these old buildings, said Hobbins, is "poetic justice."

"We took our time," he said. "We could have had buildings torn down, and jeopardized the project."

He's optimistic that this development group is serious, both about the development and their relationship with the surrounding community.

He knows them personally, he said, and he points to little local connections, such as the fact that Sam Spencer's parents were once teachers at Thornton Academy.

"They've bought into this emotionally. They like this community, they like this area," Hobbins said. "I think they're putting their reputations on the line by the public nature of this project."

Gary Curtis, Managing Director of the Island Terrace Owners Association, said at Tuesday night's City Council

meeting that they've been meeting with the development group over the past couple of years and has found the group very open to their suggestions.

"We see this group more as a community development group than a private, money making entity. Of course they want to make money, they want to make it a success, but they do have a long term vision of what this can do for the community and what this can do for Saco Island," said Curtis.

"I look forward as the mayor to sitting down with the investors and moving this project forward. It's probably one of the best projects that has happened to downtown Saco since the 1830s," said Johnston at Monday night's council meeting.

DISSENTING VOICES

Saco City Councilor Eric Cote said in an interview that he does not support the project. He said there's been a lot of talk about it being an upgrade. "I think it's a downgrade," he said.

Cote does not support a TIF and negotiating a deal for the parking lot. He said the developers want to get a deal on the land that the city paid \$300,000 for and destroy green space to make a parking lot. He said that building #4 is a mill building that's been abandoned for the last 30 years and will cost too much to renovate.

He expressed concern about the group's refusal to unveil the amount of the TIF until Monday.

"They didn't dare talk numbers," he said.

Cote said he would rather see a modern building where the train station is, and offer the developer the use of the land for free if they designated an area on the first floor for a passenger waiting area.

He believes the development is going to cause a traffic flow problem, and putting a traffic light at the top of the hill would be too close to Pepperell Square.

Cote said he was at Rapid Ray's Tuesday and was talking to some "local boys" about the development. The general consensus, he said, was to not give the development group any money.

The group hopes to break ground in mid 2007, but they acknowledge that plans are still in the beginning stages.

"These drawings, they're all still wet," Mattson said. The next step will be "hammering out details."

The City Council Workshop will be at 7 p.m. September 25 at Saco City Hall.

—Contact Liz Gotthelf by calling 282-1535, Ext. 329, or e-mail egotthelf@ghi.net. Staff writer Beatrice Marovich contributed to this report, and can be contacted by calling 282-1535, Ext. 324, or via e-mail at bmarovich@ghi.net.

Exports

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increasing over the last five years.

"Exports represent one of the few areas of our economy that has sustained strong growth," she said. "It has increased over 27 percent over the last five years."

Economic and Development Commissioner Jack Cashman praised the efforts of the Trade Center to encourage exports and agreed it is one of the bright spots in Maine's economy. But, he said, even with solid growth that has improved Maine's ranking compared to other states, Maine still ranks 46th among the states.

"We are trying to climb out of the 40s in some of these surveys, and out of the top 10 in others," he said. "We want to converge somewhere in the middle, like we have with workers comp."

Cashman praised former Gov. Angus King and lawmakers for creating the Trade Center to help companies export products and services. He said too many companies do not even think about international trade possibilities. One company that has is

Oak Island Seafood in Rockland. Company President Jay Trenholm said before the 2001 terrorist attacks, his company's export effort was a small part of its business, about a million dollars a year of product, all shipped to Canada. He said business dropped 45 percent following the attacks and the disruption it caused. But, he said working with the Trade Center has dramatically changed his company and boosted sales.

"We now export to 12 countries," he said. "At the end of last year we posted about \$16 million in exports, now exports represent about 80 percent of my business."

Rep. Chris Rector, R-Thomaston, a member of the legislature's Business, Research and Economic Development Committee, said that for every success story, there are far too many companies that simply have not thought of exporting their products.

"The Trade Center is doing a great job, but we really need to get more companies involved," he said. "We were last in the country for exports, and we have improved, but we need to help more companies,

particularly the micro-businesses, get the training and information they need."

Cashman agreed and said he is proposing additional funding for next year for the both the Trade Center and other economic development activities.

"It's not just the knowledge and training about international trade that they need," he said, "it's all the other things they need like marketing and financing."

Sen. Lynn Bromley, D-South Portland, the co-chair of the Business, Research and Economic Development Committee, said the state must increase its funding for economic development. She said DECD is the smallest cabinet level agency in state government.

"We really have to have some more help," she said. "This will help grow our economy and that will allow the increased revenues to do the other things we want in Maine."

David Clough, State Director of the National Federation of Independent Businesses, said the growth of exports is certainly good news, but he does not agree with all of the activities of the Trade

Center. He said the anecdotal comments from his members are that the training and help with export planning is good, but that the overseas trade missions are not very productive. "My members have told me they really are PR for signing deals already worked out," he said.

Cashman said it is true that some deals are worked out ahead of the trade missions, but he said many companies have told him the trips are important to make face to face contact with potential customers.

Bisaillon-Cary also believes the trade missions are helpful. She said there are many trade deals that companies say have been the result of their participating in a trade mission.

Statistics from the Trade Center indicate Maine exports are up nearly \$1 billion a year since 1996, with paper, forest products and electronic products dominating the export markets.

In 2005 Maine companies exported to 169 countries, with five nations accounting for over half of all trade. Canada tops the list, followed by Malaysia, Singapore, Mainland China and Japan.

Saco Island redevelopment plans announced

By Kate Irish Collins
Staff Writer

SACO (Sep 19, 2006): On a group of investors calling itself Saco Island, LLC announced plans to purchase Saco Island on Monday, Sept. 18, and proposed a wide-ranging redevelopment plan expected to cost \$80 million over the next five years.

At a meeting of the Saco City Council, Sam Spencer, managing director of Saco Island, LLC, outlined the group's plans, including redevelopment of mill building 4 and significant changes to buildings 3 and 7.

Saco Island, LLC is proposing a mixed-use development, including commercial, retail and housing projects, as well as building a marina on the Saco River and two public parks.

Spencer said in return for its huge investment, Saco Island, LLC will be asking the council for a "significant" tax increment financing (TIF) deal. The TIF will be discussed in detail at a council workshop at 7 p.m. on Monday, Sept. 25, at city hall.



Mill building 4 on Saco Island, will be significantly altered under redevelopment plans announced Monday by Saco Island, LLC (Photo by Kate Irish Collins)

Saco Island, LLC has just over eight acres on Saco Island itself, and six acres, right on the river, across Main Street under contract.

"We are very excited about this. It's truly a labor of love. This is not your run of the mill development project," Spencer said.

For more details on this story see the Sept. 22 issue of the Sun Chronicle.



Saco Island unveils \$80 million redevelopment plan

By Molly Lovell
Staff Writer

Saco Island may soon be undergoing an \$80 million facelift according to real estate investment group, Saco Island LLC.

The group held a press conference this past Tuesday, Sept. 19 to outline their plans for mixed-use residential and commercial space for the mill buildings, of which most have remained vacant for more than a decade.

Five brick mill buildings sit on the 337,076 square foot parcel of land that makes up Saco Island.

Saco Island LLC is part of Harpar's Development LLC out of Winthrop, a real estate development company that specializes in the construction and acquisition of commercial and industrial properties in New England.

Representatives from the group gave a preview of the project, which has been two years in the making, Monday night to the Saco City Council.

"The road to this project was a long one

... it's very complicated and a multi-faceted project," said the company's President, Kevin Mattson.

Managing Director Sam Spencer said that along with commercial and office space as well as condominiums, proposed plans

call for three public parks on the land, increased parking, boat slips and a clubhouse for the homeowner's association on the island.

Due to the fact that proposed plans include space to moor boats, developers will need to ask the government to move the navigational

turning basin, which is located on the easterly side of Saco Island.

During the past two years the group has spent nearly \$1 million researching the property and are close to finishing the master plan.

Their redevelopment plan is designed around smart growth principles recommended by the Environmental Protection Agency, according to a press release issued by the group.

Those principles include developing
(Please turn to page 22)

"This is one of the best projects that has happened to Saco since the 1830s." — Mayor Mark Johnston



LOOKING NORTHWEST — This sketch shows the proposed renovations to buildings no. three and four. It depicts a new elevated walkway and pedestrian bridge on Saco Island, which just unveiled an \$80 million redevelopment project. (Sketch by Buck Consulting Group LLC)

Saco Island

(Continued from page 1)

mixed land uses, creating safe and convenient housing opportunities as well as walkable neighborhoods.

Fostering distinctive and attractive developments that preserve Saco Island's culture and history, along with preserving the natural environment are other principles mentioned.

Saco Mayor Mark Johnston said he was enthusiastic to see this project move forward and added, "this is one of the best projects that has happened to Saco since the 1830s."

The former cotton mills, known as York Mills until becoming part of Bates Manufacturing in 1945, closed in 1958. The once thriving mill district of Biddeford and Saco was one of the largest cotton milling complexes in the country.

Johnston said Tuesday that the last time anyone tried to enhance Saco Island was in 1983 by New Hampshire developer Gavin Rutulo.

Johnston said because Rutulo was dependent on federal funding combined with the slowing market, he was forced to file for bankruptcy and the project fell through.

Gary Curtis, managing director of the Island Terrace Owners Association, which represents the 90-unit Island Terrace Condominiums located in mill building one, supports the redevelopment.

"We see this group more as a community development group than a primary money making group ... these are people we feel we can work with," he said.

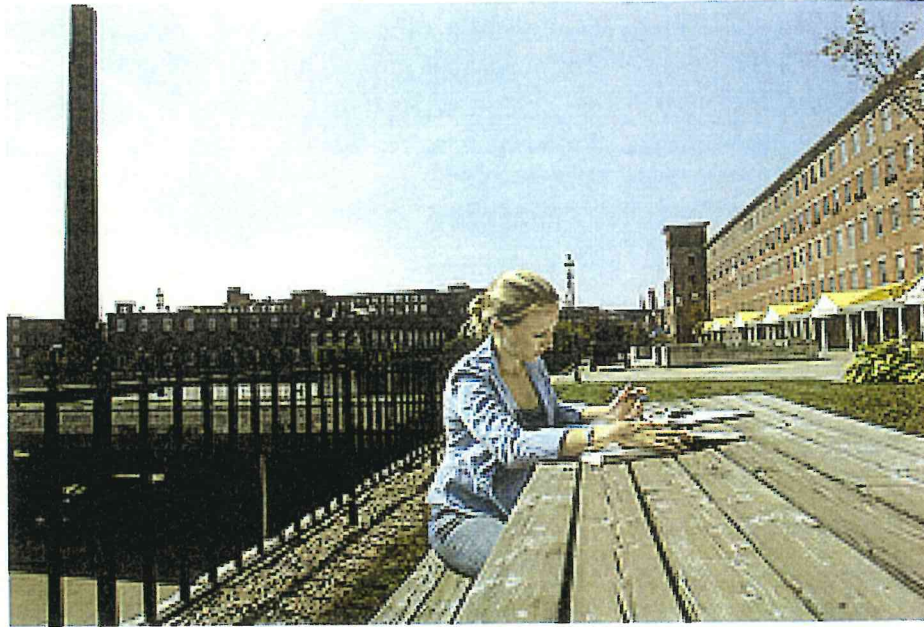
The property on Saco Island, except for the Island Terrace Condominiums, is owned by the Curtis Island Group, which includes State Senator Barry Hobbins.

Spencer said he expects to break ground on this project by the middle of 2007. From now until then Saco Island LLC will need to work with city in acquiring a piece of city property.

They will also be proposing tax increment financing to the city, the reason being, Spencer said, is that the project is a risky one for their investors.

"We need to know the city is behind us," he said.

Saco Island LLC will meet with the Saco City Council at 7 p.m. on Monday, Sept. 25 to discuss more detailed plans.



Pearl Cielma of Saco studies Monday on Saco Island, where she attends the University College at Saco-Biddeford, part of the University of Maine System. Investors now have a plan for \$80 million worth of mixed-use development on the island.

Investors plan island makeover

By SETH HARKNESS, Staff Writer Tuesday, September 19, 2006
Staff photo by Derek Davis

SACO - A real estate investment group expects to announce plans today to transform Saco Island, a 15-acre parcel of mostly empty buildings that links Saco and Biddeford, with \$80 million worth of commercial and residential development.

Saco Island LLC intends to redevelop a large complex of old mill buildings on the island into residential condominiums on the upper floors and office and commercial space below, according to people who attended a closed-door meeting with the developers on Monday in Saco. Also in the group's proposal is a marina and waterfront condominiums on the island's south side.

Members of the investment group did not return phone calls on Monday, but notified news media that details would be provided today at an afternoon press conference on Saco Island. Saco city councilors were expected to get a preview of the plans Monday night.

The emerging plan is the latest in a series of efforts to revitalize the once-booming island in the Saco River. Other investment groups, including one of the principal members of Saco Island LLC, have announced plans in the last few years that did not come to pass.

Saco Island LLC said the announcement expected today is credible, according to Saco development director Peter Morelli, though the developers have not applied for any permits with the city.

Saco Island LLC is made up of Harper's Development, a Winthrop-based company that specializes in the redevelopment of old buildings, and other investors. It has held an option to buy the property for more than a year and has been doing extensive inspections of the buildings, examining permitting issues and doing other fact-finding work, Morelli said. "Certainly, this group has done a lot of preparation."

Harper's Development began examining Saco Island in 2004, when the company held a contract to buy the property with another group of investors. That investment group said it intended to redevelop the island into a center for biotechnology research and business. But the group abandoned those plans in early 2005, claiming that rising interest rates and increased costs of construction materials had created havoc with its business model.

City officials clearly hope that the latest plans can help restore Saco Island's historical role as the economic heart of the two cities surrounding it.

"Since the beginning of the 19th century, that island has had a central role in the local economy," Morelli said. "It's only diminished in the last 20 years. The hope is, it will come back with a new mix of uses."

The real estate developers offered some details of what they plan to build while meeting on Monday with community leaders.

In addition to condominiums, commercial space and a marina, the group intends to build a hotel and new parking facilities, according to Biddeford-Saco Chamber of Commerce President Bernard Featherman, who attended the meeting.

The Saco Island property is composed of five large brick mill buildings, a few of them refurbished and many others vacant and windowless, as well as six undeveloped acres with extensive frontage on the Saco River.

The property belongs to a partnership of residents known as the Cutts Island Group. Late last year, the group signed a purchase agreement with Harper's Development and other investors for somewhat less than the \$5.9 million asking price.

Harper's specializes in buying vacant properties, usually in downtown areas, and finding new uses for them. It owns buildings primarily in the Augusta area and leases offices to tenants ranging from state agencies to bars.

It also has bought properties in the Down East community of Stonington, and last year purchased the former Vishay Sprague manufacturing plant in Sanford.

Harper's is run by former state politicians, lobbyists and lawyers.

The company's leaders have included former Lewiston Mayor John Orestis and longtime lobbyist and Democratic activist Severin Beliveau.

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Expert panel addresses concerns about Saco Island

By Molly Lovell
Staff Writer

Saco Mayor Mark Johnston hosted a panel of experts who addressed the city council concerning issues related to the proposed redevelopment of Saco Island Monday night during a council meeting.

In a press release issued by the city, Johnston said he invited this panel in order for the council to make the most informed decision possible.

Present at Monday's meeting were representatives from Maine Preservation, the Saco Museum, Northern New England Passenger Rail Authority and GrowSmart Maine.

"I believe this proposal presents Saco with an historic opportunity to implement a sweeping vision for downtown Saco, and I'd like to explore all the angles of why that might be so," Johnston wrote in the press release.

Economist Charles Lawton began the presentation by addressing two questions posed by the council.

"What is the value to the community of this development?" and "Why is this development good for the citizens of Saco?" he said were the council's questions.

Lawton said the project would end the gradual process of decay of the buildings as well as eliminate future environmental and safety liabilities.

"The first thing is, what happens if you don't do the project? What you get is what you've got there now only accelerated,"

Lawton said.

Liabilities he mentioned were the promenade and parking garage, which he said were too dangerous for emergency vehicles to enter, which is why Saco Island, LLC is proposing to remove and restructure them.

He also said the already decaying buildings will become worse the longer this project is delayed, therefore costing more to refurbish in the future.

Lawton went on to say the project is good for the city because it will have a positive fiscal impact on the city as well as jumpstart downtown Saco's economy.

He said the project would foster job growth as well as contribute to household income within the region, which he estimated to be an additional \$7.2 million a year.

The next presenter was Maggie Drummond of GrowSmart Maine, a non-profit organization that was founded four years ago to focus on the issue of sprawl and land use in Maine. The organization also focuses on sustainable growth in the state.

"Maine is in transition right now," she said, adding that the state's economy is diversifying and it's seeing a population growth.

"We're seeing in migration in all counties in the state and we're fifth in the nation in terms of in migration . . . we're really consuming our rural lands pretty quickly, however," she said.

She called this land consumption, "rapid suburbanization."

She said that 77 percent of Maine's

growth is happening outside of its regional hubs and the state is losing more and more acres of rural land each year.

"The question is, can we grow without wrecking the place?" she asked.

"You are growing, you're going to keep growing and you are wrecking the place," she said, which was according to the Brookings Report, an action plan for promoting sustainable prosperity in Maine.

She said one reason why this is happening is high property taxes, and said that rapid suburbanization, "threatens Maine's brand in a time when quality places really matter."

"People are coming," she said, and added, "you have to figure out how to get people to move downtown, not in the countryside."

She said cities and towns across the state would be wise to make housing in their downtowns a central part of their economic development strategy, going along with what Saco Island, LLC is proposing to do.

Roxanne Eflin of Maine Preservation, a private advocacy group, said Mill Building No. 4 on Saco Island is actually on the list of some of the most endangered buildings in the state.

She said that industrial buildings offer eclectic spaces with their high ceilings and wide windows.

"We are blessed with

these mill spaces," she said.

Eflin went on to say that the city could designate Saco Island as a historic landmark as well as receive tax credits for preserving the property.

Patricia Douglas from the Northern New England Passenger Rail Authority, the entity that manages the Downeaster, said that transportation sparks development.

She used Old Orchard Beach and the development of the Grand Victorian and the addition of the Amtrak service to the town as an example of how transportation has fostered growth.

"That's what we've seen and hopefully that's what we will see in Saco," Douglas said.

She said that in order for a passenger rail service to be successful, a city must be considered a "place," or "destination," which is what she said this development project would do for Saco.



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Saco Island developers win historic preservation award

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SACO (May 21, 2008): Two key officials with Mattson Development - the company overseeing a \$100 million redevelopment project on Saco Island, received an historic preservation award from Maine Preservation during an awards ceremony held recently.



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Lock Kiermaier, Mattson's director of research, and Kevin Mattson, one of the company's principals, were recognized for their individual accomplishment in historic preservation. The two men worked to help promote a new state law, entitled "An Act To Amend the Credit for Rehabilitation of Historic Properties," which was a very high priority for Maine Preservation during the recent legislative session.

Christopher Glass, the president of Maine Preservation's board of trustees, said the historic preservation awards are given to those who "exemplify best practices of historic preservation. Those that serve by example and inspire others to take action locally."

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